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Getting to fair: Essential Services Commission draft strategy

AGL welcomes the opportunity to comment on the Essential Services Commission ('Commission')'s draft strategy on 'Getting to fair: breaking down barriers to essential services', dated 6 May 2021.

AGL is one of Australia's biggest energy providers, providing 4.2 million electricity, gas and telecommunications services to residential, small and large businesses, and wholesale customers. In Victoria, we have over 760,000 electricity customers and 600,000 natural gas customers. In FY20 Q4, about 1.1% of AGL's electricity and gas customers in Victoria were receiving support under AGL's hardship programs.

For more than 15 years, AGL's hardship program, Staying Connected, has been assisting customers experiencing financial difficulties in paying their energy bills. The programs and support we offer are based on evidence of vulnerability and are intended to address the root causes and to provide sustainable solutions.

Customers participating on AGL's hardship program on average consume more energy annually, when compared to our average customer base, and around 65% of our hardship participants are consuming more energy than they can afford. This is due to a wide range of factors such as time spent in the home, poor building fabric and design, inefficient appliances, and limited financial resources to make energy saving investments in solar PV or new heaters.

More recently we have been quick to respond to natural disasters and the pandemic through our bushfire and flood relief programs, as well as the COVID-19 Support Program. We also work closely with community groups, offering our customers access to financial counselling support, appliance replacement programs, in home or over the phone energy efficiency advice. We have also worked with community groups and State Governments to install solar on community housing. We provide a range of educational material directly to customers or through community groups.

AGL believes support is a shared responsibility across industry, government (and regulators) and the community sector to ensure our most vulnerable customers are supported to engage and navigate the energy market. Regulation and setting minimum standards of support, while important, is only one element of a holistic response. The shared responsibility approach ensures long term and holistic solutions that tackle the root causes of vulnerability, such as improved housing quality stock and social and community agency support to complement regulatory minimum standards, are identified. This provides the best possible economic and social inclusion outcomes.

We provide our comments below on aspects of the Strategy to improve outcomes for all stakeholders.

Consultation with energy industry

We note that the strategy is based on research papers released by consumer advocacy groups and a range of direct engagement activities with consumers, including the establishment of a Deliberative Community panel. We commend the Commission for consulting directly with consumers. At AGL, we consult regularly with our Customer Council on issues related to vulnerability. However, industry has not to date been consulted on the development of the strategy and have been invited to participate at only two cross-industry



workshops where the Commission outlined progress in strategy development, without seeking industry input and insights to inform the Strategy.

Existing research and insights

As a retailer in a competitive market, AGL undertakes extensive research and analysis of consumers to ensure we are providing information about our products and services in a way our customers find informative and valuable, including our most vulnerable customers. We are keen to provide government and regulatory bodies with access to these Customer Insights research practices to inform the strategy development. For example, AGL supported the AER with access to our consumer testing functionality in the preparation of the changes to their Pricing and Information Guideline in 2018.

Hence, we would recommend that the Commission undertake at a minimum a desktop review of available industry-based consumer research as well as discuss directly with retailers their key consumer insights with respect to vulnerability. This will ensure the strategy avoids any unconscious bias that currently exists with only receiving feedback from one side of the markets they regulate. Whilst anecdotes can be useful in highlighting breakdowns in process or single customer impacts, broader insights will provide a more robust basis for formulating a strategy.

Existing assistance

We also suggest that the Commission undertake a stocktake of assistance available and ensure its goals build on these measures. This will ensure the strategy does not duplicate effort already undertaken by industry and community groups. This is best illustrated with the work the Commission did on domestic and family violence, where the Commission looked to the activities industry participants had already implemented to support customers impacted by domestic violence. The Commission leveraged the work by AGL, and other retailers, and community groups who worked with retailers, to develop a Family and Domestic Guideline based on industry initiatives.

Customers facing vulnerability and therefore difficulties in paying their energy bills are likely to have broader challenges. AGL has partnered with a range of organisations to support customers, including Thriving Community Partnerships where we work to solve problems beyond energy. We noted that the Commission has referred to some insights from Thriving Community Partnerships.

Accessible communications

The strategy aims to provide customers with “appropriate, consistent and accessible communications”. AGL has launched a communications effectiveness program, eight Easy English guides and translated our bill explainer into five commonly spoken languages. AGL also conducts extensive research on various aspects of communications with customers including customer perceptions and need around product and value, engagement with channel mix, content, language, tone and style of letters and terms and conditions and types of audience. In our experience, customer responses are unlikely to be unanimous, with a distribution of customers across various options.

We would recommend the Commission work with retailers who have undertaken this extensive work to ensure the Commission’s communication actions and goals align with and complement the work retailers have undertaken.

Definition of vulnerability

The strategy proposes to re-define a person experiencing vulnerability as “someone who experiences barriers to participating in the essential services ... As a result of those barriers that person experiences economic and social exclusion or harm.” It will be important to clarify the implications of this re-definition particularly the impact on requirements on service providers.

Role of government

In our view, there is a role for the Commission, through the strategy, to influence government policy, especially with respect to the adequacy and targeting of government assistance.



The implementation of government programs is also another area. Recently, the Victorian Government announced the \$250 Power Saving Bonus for Pensioner Concession Card holders and some Health Care Card holders to help these consumers manage their energy costs. The Commission could have advised Government on effective policy implementation (in this case replicating the process for the Utility Relief Grant Scheme (URGS), whereby retailers could assist customers apply for the URGS and have it applied directly to their energy bills, would have been an ideal process for also supporting customers to access the Power Bonus Payment).

Providing insights and supporting Government policy and financial support programs to reach the right customers, at the right time through the most cost-effective channel should be an important aspect of the Commission's strategy.

Legislative objectives and socialisation of costs

We also believe the strategy and initiatives should align with the Commission's broader legislative objectives. For example, the Commission's proposed review of the Payment Difficulties Framework (PDF) should not only focus on the consistency of application but also have regard to the matters set out in Section 8A of the Essential Services Commission Act 2001 which include:

- efficiency in the industry and incentives for long term investments,
- the financial viability of the industry,
- the benefits and costs of regulation, and
- consistency in regulation between States and on a national basis.

In developing the goals and initiatives, the Commission must also consider the additional costs and risks to energy retailers. The recovery or socialisation of these costs and risks must be transparent so that, for instance, an allowance could be included in the Victorian Default Offer (VDO). The VDO is intended to be a reasonable offer which provides price protection for customers who are unable or unwilling to engage in the retail market. To date, the Commission has recognised only limited cost recovery for the PDF and COVID-19. The Commission must ensure its strategy is cost-effective and leads to net benefits to all Victorian energy consumers, including those who may experience vulnerability.

Summary

In summary, the draft strategy should:

- ensure there is reasonable balance of interests including appropriate consultation with energy retailers,
- clarify the role of government and, if necessary, advocate for a greater role for government to assist customers facing vulnerability,
- demonstrate compliance with Section 8A of the ESC Act 2001,
- account for any additional costs and risks to service providers, and
- ensure that the Strategy delivers net benefits to all Victorian energy consumers.

If you have any questions in relation to this submission, please contact Meng Goh, Senior Manager Regulatory Strategy, at mgoh@agl.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Elizabeth Molyneux'.

Elizabeth Molyneux
General Manager Policy and Markets Regulation